MIDTERM REVIEW OF THE IMPLEMENTATION OF THE VIENNA PROGRAMME OF ACTION FOR LLDCS FOR THE DECADE 2014-2024 IN THE EURO-ASIAN REGION

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BANGKOK, 11-12 FEBRUARY 2019
Outline

- Challenges of landlockedness and post-conflict situation
- Afghanistan’s central location: From a land-locked to a land-linked country
- Afghanistan’s centrality and implications for Central Asia-South Asia integration
- Afghanistan’s vision for regional economic cooperation and integration
- Afghanistan-centered regional cooperation platforms
  - Regional Economic Cooperation Conference on Afghanistan (RECCA)
  - Heart of Asia-Istanbul Process (HoA-IP)
- Priority projects and initiatives under RECCA & HoA-IP
- Afghanistan’s engagement in other regional cooperation platforms
- Recommendations
As a land-locked and post-conflict country, Afghanistan continues to face numerous special development needs and challenges including:

- Lack of access to regional and international markets,
- Infrastructure gaps,
- High trade and transit cost
- Investment deficit
- Shortage of human and institutional capacity
- A battle front in countering terrorism.
In the case of Afghanistan, regional economic cooperation and integration can significantly contribute to overcoming the challenges associated with landlockedness and post-conflict situation through helping with:

- Improving connectivity and competitiveness,
- Increasing productivity,
- Lowering transaction costs
- Expanding markets
- Accelerating and diversifying economic growth.
Afghanistan’s central location from a land-locked to a land-linked country

- Afghanistan is located at the convergence point of four of the most populous and resource-rich regions in the world: South Asia, Central and North Asia, the Middle East and the Far East.

- Afghanistan stands between them as a central connecting hub and can therefore play an important role in the Eurasian continental trade network.

- Afghanistan is key in unlocking the potential of trade complementarity between the surrounding regions and thus creating new trade in the wider region.

- Afghanistan can provide some of the shortest and most cost-effective routes for roads, railroads, pipelines and electricity transmission lines including between Central Asia and South Asia.
Implications for Central Asia - South Asia Economic Integration (1)

- Low level of intra-regional trade in Central and South Asia
  - **South Asia:** lack of strong complementarity in the bilateral trade structures of South Asian countries and specialization mainly in manufactured goods.
  - **Central Asia:** Almost similar resource endowment and specialization mainly in production of primary commodities such as raw materials, minerals and energy resources in Central Asia.
Trade complementarity:

- Differences in resource endowment and dissimilarities in trade structure are indicative of a good potential of trade complementarity and economic integration between Central Asia and South Asia.

Example of energy trade:

- Difference in the endowment of energy resources in South Asia and Central Asia,
- Growing energy needs in South Asia, and the existing energy surplus in Central Asia provides an excellent area of trade complementarity between the two regions.
Unlocking the potential of trade complementarity between the two regions

- Despite the potential of trade complementarity, trade between the two regions remains minimal.

Lack of overland connectivity

Afghanistan’s centrality as regional land-bridge

- As a regional land-bridge, Afghanistan is a key in unlocking the potential of trade complementarity between the two regions and thus creating new trade in the entire region.

- Compared to other alternative routes, Afghanistan can provide the shortest and most cost-effective routes for roads, railroads, pipelines and electricity transmission lines between Central Asia and South Asia.
Our vision for regional economic cooperation and integration is to restore Afghanistan’s historical role as a land-bridge and a convergence point between Central Asia, South Asia, China, the Middle East, and Europe, in order to achieve greater regional cooperation and integration for the benefit of peace and prosperity in the wider region.

Our vision addresses both the challenges associated with landlockedness as well as the opportunities associated with our central location as a regional land-bridge.

The Government of Afghanistan has pursued this vision under two major Afghanistan-centered regional cooperation platforms: RECCA and HoA-IP as well as through our engagement in various regional cooperation platforms.

Regional economic cooperation and integration has, therefore, remained an important pillar of Afghanistan’s foreign policy and an important component of the national development strategy.
RECCA was established in 2005 as the first Afghanistan-centered regional cooperation framework.

RECCA aims to promote cross-border economic cooperation through a list of prioritized regional economic cooperation and investment projects that are capable of contributing to economic growth, job creation, income generation and confidence building in the wider Central, South and Southwest Asia and beyond.

Seven ministerial meetings of RECCA have so far been held in Kabul and major capitals across the region.
RECCA Priority Areas/Clusters

- Energy
- Transport Networks
- Trade and Transit Facilitation
- Communications
- B2B and Labor Support
- Research, Monitoring and Evaluation
The HoA-IP is another important Afghanistan-focused regional cooperation platform which was founded in November, 2011, providing a platform for results-oriented regional cooperation by placing Afghanistan at its center, in recognition of the fact that a secure and stable Afghanistan is vital to the prosperity of the Heart of Asia region.

Six priority areas have been prioritized as Confidence Building Measures (CBMs) under HoA-IP:

1. Counter-terrorism CBM (led by Afghanistan, Turkey and UAE);
2. Counter-narcotics CBM (led by Azerbaijan and Russian Federation);
3. Regional Infrastructure CBM (Azerbaijan and Turkmenistan);
4. Trade, Commerce and Investment Opportunities CBM (led by India);
5. Disaster Management CBM (led by Kazakhstan and Pakistan); and
6. Culture and Education CBM (led by Iran)

Seven Ministerial Meetings of HoA-IP have been held and hosted by Turkey in 2011, Afghanistan in 2012, Kazakhstan in 2013, China in 2014, Pakistan in 2015, India in 2016 and Azerbaijan in 2017. Currently, Turkey is the co-chair and the 8th Ministerial Meeting will take place in the first half of 2019 in Istanbul.
Priority projects under RECCA & HoA - IP
The Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project is aimed at transferring up to 33 billion cubic meters (bcm) of natural gas per year through an approximately 1,800-kilometer (km) pipeline from Turkmenistan (144 km) to Pakistan (800 km) and India (90 km) through Afghanistan (735 km).

**Budget and Funding:** USD 7.5 billion for the pipeline and 15 billion for the gas field. Investment road shows are being planned.

**Status of the Project:** Major agreements have been signed and the remaining ones including the Host Government Agreement, the Pipeline System Rules Agreement and the Transportation Agreement will be signed soon. The technical survey inside Afghanistan is now completed and the actual construction of the Afghan segment will begin soon.

**Institutional Partners:** TAPI Pipeline Company Ltd, Turkmenistan, Afghanistan, Pakistan, India, Japan, ADB and a consortium of various companies.
The CASA 1000 project is aimed at transferring 1000 MW of power from Tajikistan and the Kyrgyz Republic to Pakistan via Afghanistan and additional 300 MW to Afghanistan.

Status of the Project:

- Converter Stations Contracts in Pakistan and Tajikistan are signed. Almost all procurement packages in all countries have been signed.
- The construction of transmission lines in Afghanistan and converter stations in Pakistan and Tajikistan have become effective as of 21 September 2018.
- The project is expected to be completed and commissioned in 42 months from 21 September of 2018.

Budget and Funding: USD 1.2 billion.

Institutional Partners: Afghanistan, the Kyrgyz Republic, Tajikistan, Pakistan, WB, IDB, the European Investment Bank and USAID
TAP 500 - KV

- TAP 500-KV
  - Turkmenistan-Afghanistan-Pakistan 500-kv Line Project seeks to export year round power to Afghanistan and Pakistan by 2020.

- The Status of the Project:
  - Technical studies are underway

- Budget and Funding: Further feasibility work is required

- Institutional Partners: Turkmenistan, Afghanistan, Pakistan and ADB.

- Expected to be financed from both public and private sources.
Lapis-Lazuli Route Agreement

The Lapis-Lazuli Route aims to enhance regional economic cooperation and connectivity between the countries of Afghanistan, Turkmenistan, Azerbaijan, Georgia and Turkey including through improving transport infrastructure and procedures (road, rail and sea), a new custom integration procedure and also multi-modal land ports.

The Status of the Project:

- The Lapis-Lazuli Route Agreement was signed on the sidelines of RECCA VII on November 15, 2017 in Ashgabat.
- The first draft protocol on the rail transportation is prepared and the first shipment took place recently under the TIR system.
- **Budget and Funding:** Current project estimates exceed USD 2 billion.
The Five Nations Railway Corridor would traverse a total distance of 2100 kilometers, Connecting China to Iran through the Kyrgyz Republic, Tajikistan and Afghanistan (1148 km).

Opportunities to invest in ancillary and spinoff projects.

**Status of the Project:**
- Third segment of the Khaf-Herat railway is now completed.
- The technical studies for the rest of Afghan segment is completed.
- Efforts are underway to secure fund for Mazar-e Sharif – Herat segment.

**Budget & Funding:** Current project estimates exceed USD 2 billion.

Discussions will be held with potential financing partners from both the public and private sectors for the Afghan segment.

**Institutional Partners:** China, the Kyrgyz Republic, Tajikistan, Afghanistan, Iran, Uzbekistan, ADB, WB, US
The Belt and Road Initiative and Afghanistan

- An MoU was signed between the Ministers of Foreign Affairs of China and Afghanistan in May 2016 to promote cooperation under the BRI.

- In September 2016, the first cargo train arrived from China to Afghanistan after 14 days passing through Kazakhstan and Uzbekistan.

- In October 2017, Afghanistan obtained full membership in the Asian Infrastructure Investment Bank.
The Chabahar Agreement was signed in May 2016 between Afghanistan, Iran and India.

- The agreement aims to 1) facilitate access to international markets by using land, sea, and/or air transportation through Chabahar Port and 2) simplify, harmonize and standardize procedures governing transit of goods and passengers.

- A series of shipments from India to Afghanistan have been conducted via the Chabahar port.

- **Budget and Funding:** Feasibility studies are underway

- **Institutional Partners:** Afghanistan, Iran and India
Various air cargo corridors have so far been operationalized with India, Kazakhstan, Turkey, EU, Russia, UAE, Saudi Arabia and China.

Over 6000 tons of Afghan products have so far been transported from Afghanistan through these air corridors.
The Special Economic Zones/Multimodal Transport and Logistics Facilities will facilitate increased trade and transit along regional corridors.

- These facilities and services include inland cargo terminal, temporary storage of containers, customs clearance, cold storage etc.

- *Aqina and Zaranj dry ports*

- *Kandhar Pilot Special Economic Zone Project Development*

**Budget & Funding:** Feasibility study is required.

- Efforts are underway to form a public-private partnership for development and operation of few dry ports.
New Initiatives under RECCA

1) RECCA Center for Research and Evaluation (RCRE)

1) RECCA Chamber of Commerce and Industries (RCCI)

1) Women’s Economic Empowerment Initiative (WEEI).
RCRE was inaugurated on February 03, 2019 in Kabul.

The establishment of RCRE was agreed as one of the new initiatives proposed and endorsed at RECCA VII Ministerial Meeting held on November 14-15, 2017 in Ashgabat, Turkmenistan.

The RCRE will be based at the Ministry of Foreign Affairs of Afghanistan and will work under the supervision of the RECCA Secretariat.

RCRE’s principal mission is to enhance research capacity and collaboration, as well as to contribute to policy development and investment promotion in the wider RECCA region.
### Engagement in regional platforms and IFIs

#### Regional cooperation frameworks
- CAREC
- SAARC
- ECO
- UNESCAP/SECECA
- OSCE

#### IFIs and investment banks
- WB
- ADB
- AIIB
- IDB
- SWFs
Conclusion and recommendations

(1)

- Regional economic cooperation and integration can serve as an important enabler and a cross-cutting issue in the implementation of the global development agenda.

- More specifically, RECI as an important policy area under VPoA can significantly contribute to the achievement of other development objectives under this program of action.

- Regional cooperation platforms can facilitate South-South and Triangular Cooperation in support of VPoA.

- VPoA should be further mainstreamed into the agenda of regional cooperation platforms.
Regional cooperation platforms should address hard and soft infrastructure together:

- Cross-border physical infrastructure development in the areas of transport and energy has to be complemented by the development of soft infrastructure required for regional integration including improved regulatory regimes and border clearance procedures as well as policy integration and coordination which can further reduce the costs of trade.
To avoid duplication of efforts and share resources, there is need for bringing greater synergy at different levels:

1) There is need for greater synergy and complementarity between regional and sub-regional economic cooperation initiatives,

2) There should be greater synergy between various transport and transit corridors in the wider region,

3) Bringing synergy among transport, energy and ICT sectors under integrated economic corridors offers opportunities for increased efficiency.
Effective partnership among institutional partners is critical for the implementation of regional projects:

- In implementing large scale regional infrastructure projects which remain complex in many cases, an **effective partnership among all institutional partners** including governments, the relevant international financial institutions and regional organizations and various national stakeholders is essential.
To optimize regional economic cooperation opportunities in support of priority areas and development objectives under VPoA, regional cooperation platforms must place a greater focus on the following areas:

- Policy coordination and dialogue
- Investment promotion and business development
- Research collaboration
- Capacity Building